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RICH'S, INC.

Annual Report

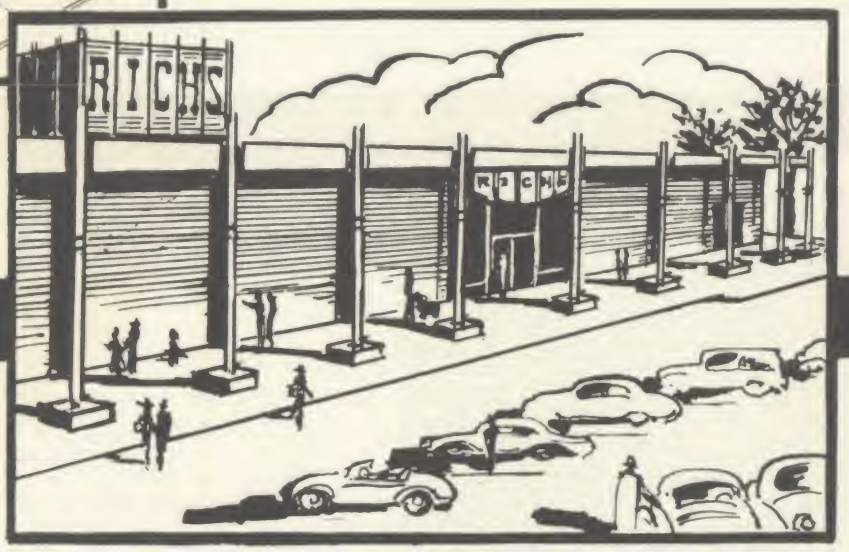
Atlanta, Georgia
Knoxville, Tennessee

Fiscal Year Ended January 31, 1959

TNB+S

RICH'S, LENOX SQUARE
OPENING EARLY FALL, 1959

RICH'S, KNOXVILLE, TENNESSEE



RICH'S, BELVEDERE PLAZA
OPENING FALL, 1959

92nd Annual Report

RICH'S, INC.

RICH'S, ATLANTA, GEORGIA

RICH'S, INC.

OFFICERS

Frank H. Neely . . .	*Chairman of the Board*
Richard H. Rich . . .	*President*
Harold Brockey . . .	*Executive Vice President and General Manager*
Elmer H. Etling, Sr. . .	*Treasurer*
Joseph F. Asher . . .	*Secretary*
K. Edward Dye	*Assistant Secretary and Assistant Treasurer*

DIRECTORS

Frank H. Neely, *Chairman*

Ivan Allen, Jr.
Joseph F. Asher
Harold Brockey
Louis Carrol
R. Howard Dobbs, Jr.
Elmer H. Etling, Sr.
Miss Annie May Gallagher
Mrs. Marjory M. Giddens
Joseph K. Heyman
Grant Horneffer
A. Carl Kotchian
Joseph Meade
Louis Montag
Frank L. Pallotta
Benjamin M. Parker
Keeve Pass
Miss Catherine Rice
Miss Frances Rich
Richard H. Rich
I. A. Solomons, III
Hughes Spalding
Samuel M. Stern
Oscar R. Strauss

COMMITTEES OF THE BOARD OF DIRECTORS

Executive Committee

Frank H. Neely, *Chairman*
Harold Brockey
Richard H. Rich
Elmer H. Etling, Sr.

Finance and Audit Committee

R. Howard Dobbs, Jr., *Chairman*
Grant Horneffer
Elmer H. Etling, Sr.
Louis Montag
Joseph K. Heyman
Benjamin M. Parker

Personnel Committee

Ivan Allen, Jr., *Chairman*
Joseph F. Asher
(L. L. Kennedy, *Consultant*)

Development and Expansion Committee

Louis Montag, *Chairman*
Harold Brockey
Joseph Meade
(Alvin M. Ferst, Jr., *Consultant*)

Salary Committee

Frank H. Neely, *Chairman*
Mrs. Marjory M. Giddens
R. Howard Dobbs, Jr.
Hughes Spalding

To the Stockholders of Rich's, Inc.:

THE YEAR'S RESULTS

As mentioned in last year's Annual Report, our 92nd year commenced in a somewhat dubious economic climate, with the general level of business both nationally and in the Southeast trending downward for the first time in several years. Rapid action to adjust our operation to the changed economic conditions, coupled with improved business subsequent to last spring's temporary decline enabled us to report again all time highs in both sales volume and net earnings for the past year's operations. Our sales increased to $83,148,581, a gain of 3.8%; net earnings after taxes increased 13.7%, to $3,438,469. Earnings per share after preferred dividends equalled $1.98 this year as compared with $1.77 earned last year. Both the Atlanta and Knoxville stores contributed to the increased sales and improved profits. The maturity of our Knoxville management is evidenced by the continuing volume growth, improved merchandising and operating efficiency, and establishment of the store as a factor in the civic leadership of the town.

EXPANSION

During the past year several significant additions have been made to the Rich's downtown store. A service building has been completed in the area between the Store for Homes and the Spring Street viaduct. This building provides three floors of non-selling facilities equipped to provide the smooth, efficient handling of receiving, checking, marking, stocking, wrapping and packing and delivery of merchandise for both the downtown plant and the future branch stores. In addition, a parking deck has been provided on the roof of this building which has proven to be a most popular facility for our customers. As a further added convenience to our customers and to facilitate the easy movement of the increased traffic in the store, escalators have been installed from the Second Floor down to the Basement and up from the Basement to the Street Floor in the Store for Homes, and additional escalators are now being installed in the Store for Men to give easy access to the Basement and Fifth Floor.

With the opening of the Lenox Square Shopping Center in the early fall, Rich's is anticipating occupancy in its new store within this Center. Its physical attractiveness is designed for convenience in shopping. The merchandising will be directed and controlled by the same merchants whose understanding and skill have made for customer acceptance and growth in our main store. In addition to the same merchandise direction and management, the Spirit of Rich's will be present at Lenox Square as synonymous with Rich's, wherever the name is heard.

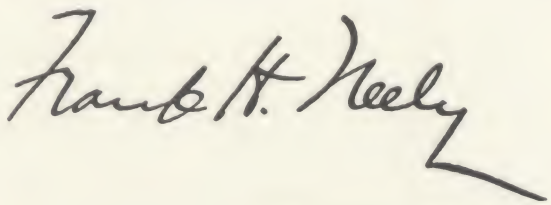
While the Lenox Square store will carry assortments of stock for customer convenience and needs, it can in no wise cover the scope and assortment of merchandise that exists at Broad and Alabama.

Our continued policy is to offer facilities to serve our customer needs and to that end, construction has been started on a new convenience store of approximately 30,000 square feet in the Belvedere Plaza Shopping Center in the southeastern section of Atlanta. Additional suburban facilities for Atlanta are under study.

As further evidence of our confidence in the downtown area, we are adding a 6th floor to the Store for Men building and remodeling several of our floors in the downtown plant to provide a more outstanding presentation of merchandise in order that the downtown store can continue to grow with the development and expansion of the greater Atlanta area.

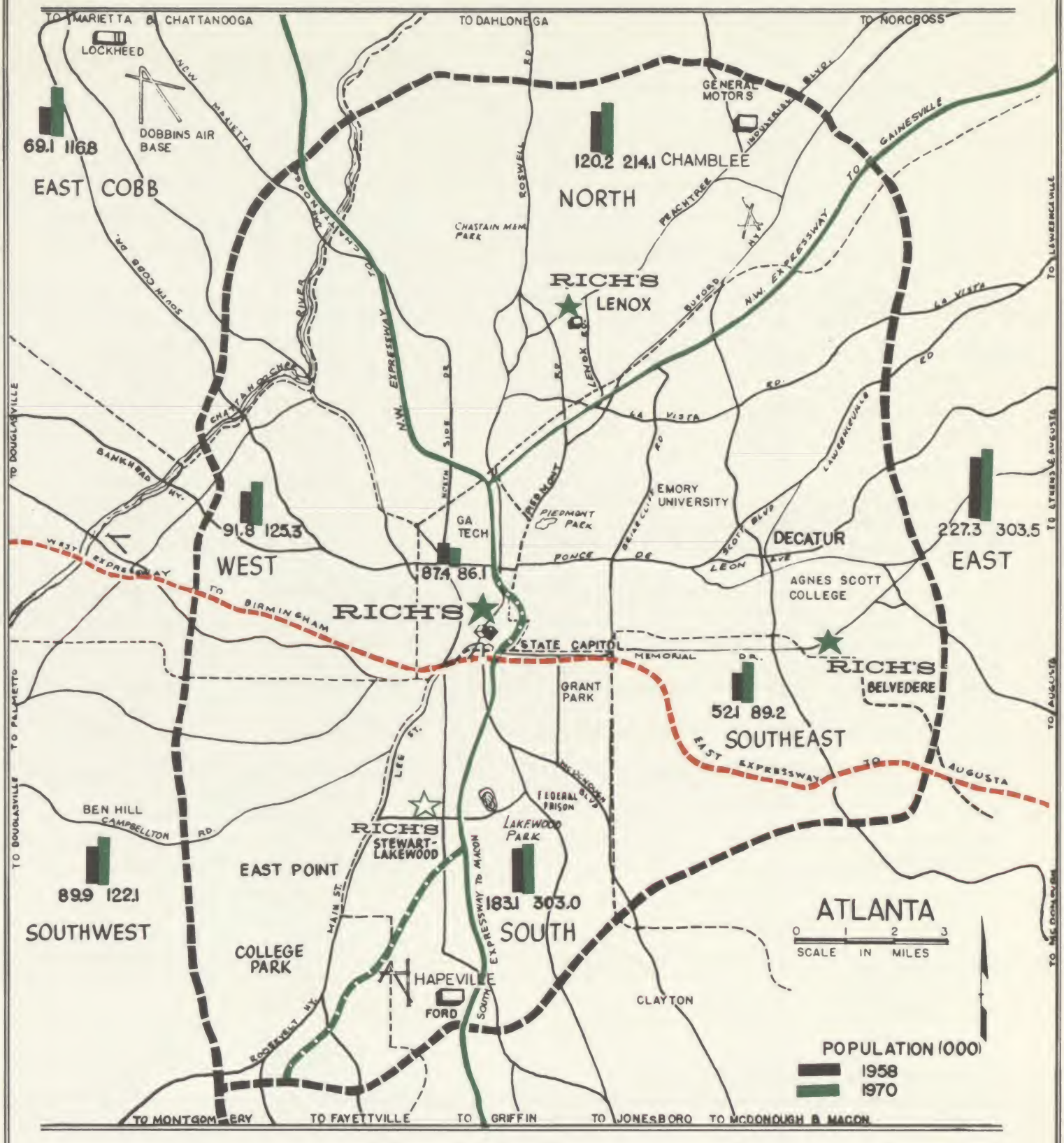
NOTE OF APPRECIATION

As a definite controlling factor in our year's operation, I should like to express for myself and bespeak for you appreciation of the steadfast cooperation of every employee of Rich's. In this I include: the advice, interest and help of our Directors; the performance of our able officers; the powerful unseen part played by our non-selling forces; the vision and talent of our merchandise and publicity people; and the universal attention, patience and imagination of our salespeople in filling the needs of our customers. The lifeline of our business is in the hands both of those who meet the public and those who work and plan behind the scenes; to all of them we would pay homage and thanks in this our annual report.



Chairman of the Board

Atlanta, Georgia
April 14, 1959



RICH'S—a name synonymous with integrity of merchandise, service, and courtesy to the customer—will follow the physical expansion and population growth as shown by this map.

RICH'S—"the purchasing agent for the public"

RICH'

COMPARATIVE STATEMENTS

	January 31, 1959	February 1, 1958
ASSETS		
CURRENT ASSETS:		
Cash	$ 2,126,244	$ 2,034,422
Receivables:		
Customers' regular and installment accounts	$23,515,141	$22,511,815
Other receivables	230,672	396,286
	$23,745,813	$22,908,101
Less: Allowance for doubtful accounts and deferred carrying charges	$ 708,031	$ 640,378
Accounts sold to bank.– Note A	2,000,000	500,000
	$ 2,708,031	$ 1,140,378
Net Receivables	$21,037,782	$21,767,723
Merchandise inventories – at lower of cost (first-in, first-out basis) or market, determined by the retail inventory method	$ 9,095,633	$ 8,846,640
TOTAL CURRENT ASSETS	$32,259,659	$32,648,785
PROPERTY AND EQUIPMENT – at cost:		
Land	$ 1,734,624	$ 1,709,367
Buildings and improvements	15,121,946	13,343,597
Fixtures and equipment	5,286,198	5,507,425
	$22,142,768	$20,560,389
Less accumulated depreciation and amortization	8,462,223	7,925,224
	$13,680,545	$12,635,165
Lenox Square construction in progress	1,769,285	
	$15,449,830	$12,635,165
PREPAID EXPENSES AND OTHER ASSETS	$ 512,500	$ 538,435
	$48,221,989	$45,822,385

, INC.

OF FINANCIAL CONDITION

	January 31, 1959	February 1, 1958
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 3,899,131	$ 3,168,589
Wages and other accrued liabilities	1,708,890	1,744,128
Federal and state taxes on income	3,027,274	3,199,780
Portion of long-term debt due within one year	616,000	376,000
TOTAL CURRENT LIABILITIES	$ 9,251,295	$ 8,488,497
LONG-TERM DEBT, due after one year – Note B	$ 6,492,000	$ 7,108,000
DEFERRED TAXES ON INCOME, resulting from accelerated depreciation for tax purposes	$ 340,000	$ 297,000
STOCKHOLDERS' INVESTMENT:		
Capital stock (at January 31, 1959):		
Cumulative Preferred Stock, $100 par, issuable in series, authorized 42,300 shares – Note C:		
3¾% series – 27,300 shares issued, less 5,866 shares held in treasury for retirement	$ 2,143,400	$ 2,167,900
Common Stock, without par value – Note D:		
Authorized 2,000,000 shares; issued 1,693,814 shares, less 633 shares in treasury at cost of $7,791 stated at	7,833,725	7,614,600
Additional paid-in capital	836,690	833,005
Retained earnings – Note E	21,324,879	19,313,383
	$32,138,694	$29,928,888
	$48,221,989	$45,822,385

See notes to financial statements.

RICH'S, INC.

COMPARATIVE STATEMENTS OF NET EARNINGS

	Year (52 weeks) Ended January 31, 1959	February 1, 1958
NET SALES (including leased department sales of $1,570,757 for year ended January 31, 1959 and $1,482,585 for year ended February 1, 1958)	$83,148,581	$80,103,037
OTHER REVENUE	295,626	231,945
	$83,444,207	$80,334,982
COSTS AND EXPENSES:		
Cost of goods sold, operating and general expenses, less carrying charges on accounts receivable, exclusive of items listed below	$72,247,884	$69,916,613
Provision for doubtful accounts, less recoveries	264,490	280,565
Taxes, other than taxes on income	993,467	958,787
Repairs and maintenance	490,674	356,399
Depreciation and amortization	1,284,489	1,410,857
Rentals	500,469	477,135
Interest on long-term debt	295,265	324,310
	$76,076,738	$73,724,666
EARNINGS BEFORE TAXES ON INCOME	$ 7,367,469	$ 6,610,316
TAXES ON INCOME:		
Federal	$ 3,646,000	$ 3,330.000
State	283,000	255,000
	$ 3,929,000	$ 3,585,000
NET EARNINGS	$ 3,438,469	$ 3,025,316

NOTE: For the year ended February 1, 1958, certain reclassifications were made to conform the figures to the presentation for the year ended January 31, 1959.

See notes to financial statements.

RICH'S, INC.

COMPARATIVE STATEMENTS OF ADDITIONAL PAID-IN CAPITAL AND RETAINED EARNINGS

	Year (52 weeks) Ended January 31, 1959	February 1, 1958
ADDITIONAL PAID-IN CAPITAL:		
Balance at beginning of year	$ 833,005	$ 785,995
Add excess of par value over cost of Preferred Stock acquired during the year – 245 shares in 1959 and 5,131 shares in 1958	3,685	47,010
Balance at end of year	$ 836,690	$ 833,005
RETAINED EARNINGS – Note E:		
Balance at beginning of year:		
Rich's, Inc.	$19,313,383	$16,014,488
M. Rich & Bros. Co.	—	1,566,697
	$19,313,383	$17,581,185
Net earnings for the year	3,438,469	3,025,316
	$22,751,852	$20,606,501
Deduct cash dividends paid:		
Rich's, Inc.:		
Preferred Stock – $3.75 a share	$ 80,707	$ 81,496
Common Stock – $.80 a share in 1959, and $.75 a share in 1958	1,346,266	1,121,622
M. Rich & Bros. Co. (prior to merger) on Common Stock	—	90,000
	$ 1,426,973	$ 1,293,118
Balance at end of year	$21,324,879	$19,313,383

See notes to financial statements.

RICH'S, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR (52 Weeks) ENDED JANUARY 31, 1959

(A) – ACCOUNTS RECEIVABLE SOLD TO BANK:

The Company has agreed (1) to repurchase accounts which become delinquent, and (2) to maintain net current assets of at least $15,000,000. Allowances have been provided for any losses on these sold accounts.

(B) – LONG-TERM DEBT:

Long-term debt outstanding at January 31, 1959, comprises:

	Due After One Year	*Due Within One Year*
Insurance Company Notes:		
2.85%, due annually 1959 to 1962	$ 652,000	$216,000
2.90%, due annually 1959 to 1970	1,700,000	100,000
3.50%, due annually 1959 to 1975	2,450,000	50,000
Bank Note, 4%, due annually 1959 to 1964	1,690,000	250,000
	$6,492,000	$616,000

(C) – REDEMPTION OF PREFERRED STOCK:

The preferred stock is redeemable at $102.50 plus accrued dividends. Sinking fund provisions have been met through January 31, 1959, and the Company has purchased in advance 5,866 shares to meet future requirements at the rate of 700 shares per year.

(D) – STOCK OPTIONS:

Options to purchase Common Stock at market value at the date of grant (from $6.77 to $13.63 a share) have been granted to officers and management employees. Transactions during the year relating to the stock option plan were as follows:

	Shares Granted And Outstanding	*Shares Not Granted*	*Total Shares Reserved*
Balance at February 1, 1958	106,150	90,540	196,690
Options granted during year	–	–	–
Options exercised	(26,140)	–	(26,140)
Options lapsed	(600)	600	–
Balance at January 31, 1959	79,410	91,140	170,550

At January 31, 1959, options for 13,670 shares were exercisable, and of the balance of 65,740 shares, over 75% will become exercisable during the next four years, with the remainder becoming exercisable during the subsequent five years.

(E) – RESTRICTION ON RETAINED EARNINGS:

Under the agreements relating to long-term debt and preferred stock, at January 31, 1959, $4,210,000 of retained earnings was available for the payment of cash dividends, and the acquisition by the Company of its capital stock.

(F) – LONG-TERM LEASES:

At January 31, 1959, the Company was lessee under nine leases with original maturities of more than three years, expiring from 1960 to 2957, which provide for minimum annual rentals of approximately $510,000 plus, in some instances, taxes, insurance and other expenses.

(G) – EXPANSION PLAN FINANCING:

In connection with its expansion program, the Company has a commitment from a group of banks for $3,500,000 of long-term financing at 4¼% per annum.

(H) – RETIREMENT PLAN:

The contributions under the Company's retirement plan were $483,887 for the year ended January 31, 1959, and $427,393 for the year ended February 1, 1958.

ACCOUNTANTS' REPORT

Board of Directors,
Rich's, Inc.,
Atlanta, Georgia.

We have examined the statement of financial condition of Rich's, Inc. as of January 31, 1959, and the related statements of net earnings, additional paid-in capital, and retained earnings for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements for the preceding year have been examined by other independent accountants.

In our opinion, the accompanying statements of financial condition, net earnings, additional paid-in capital, and retained earnings present fairly the financial position of Rich's, Inc. at January 31, 1959, and the results of its operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, NIVEN, BAILEY & SMART

Atlanta, Georgia
March 18, 1959

TEN YEAR HISTORY
OF SALES, NET EARNINGS AND COMMON STOCKHOLDERS' INVESTMENT

Fiscal Year Ended	Net Sales	Net Earnings Before Income Taxes	Net Earnings After Income Taxes	Net Earnings Per Common Share	Dividends Per Common Share	Common Stockholders' Investment	Common Stockholders' Investment Per Share
	(000)	(000)	(000)	(Note 2)	(Note 3)	(000)	(Note 2)
February 4, 1950	$48,728	$3,583	$2,086	$1.41	$0.37	$13,208	$ 9.47
February 3, 1951	52,178	4,993	2,424	1.65	0.37	14,990	10.75
February 2, 1952	52,245	3,547	1,774	1.19	0.37	16,104	11.55
January 31, 1953	56,181	4,246	1,924	1.29	0.41	17,420	12.47
January 30, 1954	56,584	4,442	2,014	1.36	0.60	18,565	13.23
January 29, 1955	65,834	5,408	2,698	1.61	0.60	22,273	13.86
January 28, 1956	73,845	5,053	2,340	1.36	0.70	24,103	14.70
February 2, 1957	78,693	6,286	2,848	1.67	0.70	25,830	15.69
February 1, 1958	80,103	6,610	3,025	1.77	0.75	27,761	16.65
January 31, 1959	83,149	7,367	3,438	1.98	0.80	29,995	17.72

Note 1—The above data (exclusive of dividends) for all years reflect the combined operations and Stockholders' Investment of Rich's Inc. and M. Rich & Bros. Co.

Note 2—Based upon number of shares outstanding on January 31, 1959, for the year then ended; for earlier years based upon number of shares outstanding at end of each year after adjustment for 20% stock dividend in year ended January 31, 1953, and two-for-one stock split in year ended January 28, 1956.

Note 3—Based on dividend rates applicable to shares of Rich's, Inc. common stock outstanding at the respective dividend dates, adjusted for stock split and stock dividend described in Note 2 above.

RICH'S ... A Southern Institution Since 1867